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RUEKJCS/SECDEF WASHDC  
RUEKJCS/JOINT STAFF WASHDC  
RUEHGV/USMISSION GENEVA 1584  
RUEHVEN/USMISSION USOSCE 3638  
RUCNDT/USMISSION USUN NEW YORK 3031  
RUEHNO/USMISSION USNATO BRUSSELS BE  
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C O N F I D E N T I A L SECTION 01 OF 03 BISHKEK 001199

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TAGS: [PGOV](#) [ECON](#) [PREL](#) [KG](#)

SUBJECT: MAXIM BAKIYEV'S INFLUENCE BECOMES OFFICIAL

REF: A. BISHKEK 1145

[1](#)B. BISHKEK 1144

[1](#)C. BISHKEK 1139

[1](#)D. BISHKEK 1065

[1](#)E. BISHKEK 0813

[1](#)F. BISHKEK 0744

[1](#)G. BISHKEK 0700

[1](#)H. BISHKEK 0563

[1](#)I. BISHKEK 0170

[1](#)J. BISHKEK 0080

[1](#)K. BISHKEK 0385 08

[1](#)L. BISHKEK 1155 07

[1](#)M. BISHKEK 1261 06

Classified By: Amb. Tatiana Gfoeller, Reason 1.4 (b) and (d)

[1](#)1. (C) Summary: On October 29, President Bakiyev appointed his son, Maxim Bakiyev, as the head of the newly created Central Agency for Development, Investment and Innovation. While it has been evident for some time that Maxim Bakiyev has significant political influence in the Kyrgyz government (refs), this is the first time he has occupied an official government position. Many sources suggest that Bakiyev also has extensive, undocumented, interests in Kyrgyzstan's economy, which they claim are the result of corruption and abuse of his father's position. This appointment is evidence of Maxim Bakiyev's growing influence and his readiness to now take a role in the public spotlight. End Summary.

Maxim Bakiyev Assumes Public Role

[1](#)2. (C) As part of his government restructuring plan (ref A), President Bakiyev announced the creation of the Central Agency for Development, Investment and Innovation, to be located within the new Presidential Institute. Bakiyev said that this agency would be responsible for economic development, attracting investment, and national infrastructure projects. Subsequently, Bakiyev appointed his youngest son, Maxim, as director of the Agency. In fact, Oksana Malevanaya, the head of the Presidential Secretariat told us that Maxim was part of the team that put the reorganization package together. For his part, Maxim told us that after he presented to his father proposals for economic reform, the response was, "OK, then you come and

implement them."

¶3. (U) After his appointment, Maxim Bakiyev announced that the agency's first programs will be in promotion of low interest mortgage loans to home buyers, extension of financing for farmers, provision of leased equipment for the agricultural sector, and the expansion of the authority of the state controlled company that buys agricultural products from farmers.

¶4. (C) Bakiyev has told us that he intends to undertake a thoroughgoing economic reform program including privatization of all productive capacity still in state hands and substantial deregulation.

#### A Business Background

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¶5. (C) Maxim Bakiyev, 32 years old and a lawyer by training, graduated from the Kyrgyz-Russian Slavonic University in 1999. According to press reports, he began his career at the Russian Inter-Pravo law firm. He subsequently became a member of the advisory council of the British firm BCB Solutions Ltd. and developed the firm's consulting business in the Middle East. More recently, he was a member of the board of the Latvian company Maval Aktiviti, where he was in charge of strategic development. He also reportedly owns a stake in, and manages the assets of, the British Blackpool Football Club.

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#### Maxim's Political Influence

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¶6. (C) Maxim Bakiyev has friends and allies in several key positions in the Kyrgyz government and is reported to have significant influence in government staffing and policy. One long-time associate of both Maxim and President Bakiyev, former Director of the State Agency of Sports and Youth, Alexander Voinov, told Emboff that Maxim Bakiyev continues to consolidate his political and economic influence. (Voinov lost his own position during the recent government restructuring, but said he has been offered other government positions.) Voinov told us that Maxim Bakiyev proved himself to his father with a successfully organized Presidential campaign. Voinov said that Daniyar Usenov, recently appointed Prime Minister (ref B), has been the only person close to rivaling Maxim Bakiyev in terms of his influence with President Bakiyev. However, even Usenov now takes orders from Maxim Bakiyev and avoids confronting him directly on either political or financial issues, according to Voinov.

¶7. (C) Voinov also stated that Maxim Bakiyev has had great influence over the appointment and firing of government officials. One of the many officials who owed their positions to Maxim Bakiyev was Foreign Minister Sarbayev. Maxim Bakiyev was impressed with Sarbayev's handling of President Bakiyev's visit to China during the Olympics, where Sarbayev was Ambassador. Voinov claimed that he was present when Maxim Bakiyev convinced his father to appoint Sarbayev as Foreign Minister.

¶8. (C) Even President Bakiyev, according to Voinov, fears his son's notorious temper. Voinov said that he had seen Maxim Bakiyev scream at his father on multiple occasions and even pull a gun on him once. Maxim Bakiyev bragged to Voinov that on another occasion he had shot his father in the hip, an injury that had sent him to Germany for medical treatment, in defense of his mother's honor due to his father's increasingly open romantic relationship with another woman.

#### A Shadow Business Empire?

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¶9. (C) Since his father became President in 2005, Maxim Bakiyev has reportedly created an extensive, but undocumented, business empire. There have been long-standing rumors that Bakiyev has significant involvement in Kyrgyzstan's banking and financial sector, including association with, but no formal ties to, Kyrgyzstan's largest bank, Asia Universal Bank (refs K and M). Various sources have alleged to Emboffs that Bakiyev's associates have extorted money from them or forced the sale of their business (ref L).

¶10. (C) In one case, American citizen Ken Huston (please protect) reported to Emboff that he invested millions of dollars to prepare a gold mine for operation on behalf of the British company Oxus in 2005-2006. Bakiyev's people approached Huston and requested \$12 million to help him avoid trouble with local residents. When Huston refused to pay, the residents in a village near the mine started to protest. According to Huston, this gave a Kyrgyz court a reason to take the mining license away and give it to a new company started by Bakiyev with funding from exiled Russian oligarch Boris Berezovsky. Huston claimed British citizen Mark Jones of the Aurum mining company encountered a similar fate in ¶2008. Jones asked to see Maxim Bakiyev in person and Bakiyev reportedly demanded \$20 million and stated that everyone else in the country pays him and now it was Jones' turn. Jones declined, choosing to leave Kyrgyzstan instead.

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Maxim Bakiyev's Team  
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¶11. (C) Alexei Eliseev, a former classmate of Maxim Bakiyev, has been appointed Bakiyev's deputy at the Central Agency for Development, Investment and Innovation. Eliseev was a board member of Asia Universal Bank until he was appointed the Director of the Kyrgyz Republic Development Fund in July 2009. On November 6, former Prime Minister Igor Chudinov was named Eliseev's replacement as the director of the fund. The Development Fund received nearly \$300 million as a low-interest loan from the Kyrgyz government to invest in development projects in Kyrgyzstan. The funding for this loan came from a Russian loan given to Kyrgyzstan in February 2009 (ref I). The Kyrgyz government owns all shares in the fund, and, on November 5, Parliament named the Development Fund the official manager of the government's shares. In a presentation to international donors on October 26, Eliseev said that the Development Fund would provide low-interest loans to businesses in strategic sectors of the economy.

Reformer or Empire Builder?  
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¶12. (C) In past meetings, Maxim Bakiyev has presented himself to us as a supporter of reforms and closer ties with the United States. However, a number of sources have described him as primarily interested in increasing his personal wealth and power. Now that he is officially in charge of the Kyrgyz government's economic development policies and programs, it may become clear whether he will use his position for the good of Kyrgyzstan, for the enrichment of himself and his friends and associates, or for a little of each.  
GFOELLER